

Message Text

UNCLASSIFIED

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21/13

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 DRC-01 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SS-20 NSC-10 SSO-00

NSCE-00 INRE-00 /119 W

----- 001077

O 150932Z NOV 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 9593

USDOC WASHDC IMMEDIATE

INFO AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY TOKYO IMMEDIATE

UNCLAS JAKARTA 13458

EA/IMS FOR HEGINBOTHAM

TOKYO FOR AMBASSADOR GALBRAITH

USDOC FOR ATKINS (MEPD)

HONG KONG FOR RAND

E.O. 11652: N/A

TAGS: BGEN,EFIN,ID

SUBJECT: MAJOR EXPORT PROJECT DEVELOPMENT (IRON/STEEL)

REF : JAKARTA 12856 (NOTAL)

1. SUMMARY: DUE TO OTHER COMMITMENTS, GENERAL IBNU
HAS ASKED U.S. IRON/STEEL TEAM TO MEET WITH HIM EITHER
DECEMBER 8-9 OR 15-16 INSTEAD DECEMBER 10-11. EMBASSY
RECOMMENDS TEAM TENTATIVELY

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PLAN VISIT FOR

DECEMBER 15-16. ARMCO'S SINGAPORE MARKETING REP TOLD EMBOFF THAT FERROSTAHL PROPOSAL "WELL ADVANCED" AND ARMCO CHANCES MAY BE SLIM UNLESS IT INCLUDES FINANCING PACKAGE AND IS PREPARED TO MOVE VERY FAST. ACTION REQUESTED: PLEASE INFORM EMBASSY BY NOON (JAKARTA TIME-0500Z) NOVEMBER 16 (FRIDAY) IF IRON/STEEL TEAM CAN PLAN VISIT DEC 15-16 AND COMPOSITION OF GROUP. END SUMMARY.

2. GENERAL IBNU AND MARJOENI (KRAKATAU STEEL) TOLD EMBOFF PREFERRED DATES FOR PROPOSED IRON/STEEL TEAM VISIT ARE DEC 8 (SATURDAY) - 9 (SUNDAY) OR DEC 15 (SATURDAY) - 16 (SUNDAY). GIVEN OTHER ACTIVITIES, EMBASSY RECOMMENDS TEAM PLAN VISIT DEC 15-16. SINCE EMBOFF DUE TO MEET GEN. IBNU AND MARJOENI NOV 17, EMBASSY WOULD APPRECIATE INDICATION TEAM PLANS NO LATER THAN NOON (JAKARTA TIME) NOV 16 (FRIDAY), KEEPING IN MIND POSSIBILITY THAT DATES SUBJECT TO FURTHER CHANGE BY GEN. IBNU. IF DEC 15-16 ACCEPTABLE, TEAM MAY WISH ARRIVE DEC 13 (THURSDAY) WITH FIRST OFFICIAL FUNCTION (EITHER RECEPTION BY AMBASSADOR OR DINNER HOSTED BY TEAM) SCHEDULED FOR EVENING DEC 14. OFFICIAL PROGRAM PROBABLY WOULD BEGIN DEC 15 (SATURDAY) WITH TRIP TO CILEGON AND DEC 16 (SUNDAY) WOULD BE DEVOTED TO TEAM/ KRAKATAU MEETINGS. THERE WOULD BE NO OPPORTUNITY FOR CONCURRENT COURTESY CALLS ON GOI OFSGICIALS SECOND DAY AS ORIGINALLY ENVISAGED UNLESS USG GROUP PREPARED TO STAY OVER FOLLOWING WEEK. EMBASSY WOULD ALSO APPRECIATE INDICATION COMPOSITION OF IRON/STEEL AND USG GROUP AS WELL AS ANY THOUGHTS ON SCHEDULE.

3. FYI. AMBASSADOR RECEIVED M.H. BAILEY (ARMCO, AUSTRALIA) LETTER DATED OCT 31 SAYING QUOTE I HAVE INITIATED EFFORTS TO HAVE EITHER OUR CHAIRMAN, MR. C.W. VERITY, JR., OR OUR PRESIDENT, MR. D.E. REICHELDERFER, IN INDONESIA ON DEC 10-11 WHEN WE MAKE FORMAL PRELIMINARY PROPOSAL TO GEN. IBNU. I AM CONFIDENT IF EITHER OF TEHM CAN ACCOMMODATE THIS PERIOD TO THEIR SCHEDULE, HE WILL BE WITH US UNQUOTE. END FYI.

4. DURING NOV 12 CONVERSATION WITH ROBIN LOH, ARMCO'S UNCLASSIFIED

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SINGAPORE MARKETING REP AND CLOSE BUSINESS ASSOCIATE OF IBNU, LOH SAID FERROSTAHL PROPOSAL QUOTE WELL ALONG UNQUOTE ADDING THAT ARMCO'S DIRECT REDUCTION PROCESS CONSIDERED EXPERIMENTAL. LOH ALSO SAID IT IMPERATIVE THAT ARMCO PROPOSAL INCLUDE FINANCING PACKAGE AND THAT, IF ARMCO DECIDED TO PURSUE KRAKATAU PROJECT, ARMCO MUST BE PREPARED TO MOVE VERY FAST. LOH, WHO SAID HE KNEW BILL ROSE (ARMCO INTERNATIONAL DIVISION PRESIDENT),

OFFERED TO ASSIST ARMCO.

5. COMMENT: RECENT SOUNDINGS INCLINE US TO BELIEVE THAT U.S. PARTICIPATION IN IRON/STEEL PROJECT POSSIBLY LESS PROMISING THAN ORIGINALLY THOUGHT. ALTHOUGH WE STILL BELIEVE U.S. PARTICIPATION WOULD BE WELCOMED, WE ALSO BELIEVE THAT WE SHOULD CANDIDLY TELL INTERESTED U.S. FIRMS THAT THIS IS OUR ASSESSMENT IN ORDER TO AVOID POSSIBILITY OF BEING ACCUSED LATER, IF RESULTS NOT FAVORABLE, OF UNPRODUCTIVE EXPENDITURE OF MONEY AND TIME OF HIGH LEVEL PEOPLE. ON OTHER HAND BAILEY LETTER TO AMBASSADOR (PARA 3 ABOVE) STATES QUOTE WE ARE EXCITED BY THE POSSIBILITIES UNQUOTE. IF IRON/STEEL GROUP PLANS TO PURSUE PROJECT, IT SHOULD BE PREPARED TO ACT QUICKLY AND DEFINITELY INCLUDE ACCEPTABLE FINANCING (AT LEAST 15 YEARS, LOW INTEREST) AS PART OF PACKAGE.
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